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Improving the financial situation of the United Nations

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Report of the Secretary-General

Summary

The present report updates the information on the financial situation of the United Nations contained in the previous report of the Secretary-General (A/63/514/Add.1). It also provides a review of the Organization's financial situation as at 13 October 2009 and updated projections to 31 December 2009.

The report considers four main financial indicators: assessments issued; unpaid assessed contributions; available cash resources; and the Organization's outstanding debt to Member States. At 13 October 2009, assessments issued during 2009 were higher than at 31 December 2008 for the regular budget and the international tribunals, but lower for peacekeeping funds. Assessments for the capital master plan were maintained at the same annual level. Unpaid assessments at 13 October 2009 were higher than at 31 December 2008 for all categories except for peacekeeping funds.

Cash balances at the end of 2009 are projected to be higher than at the end of 2008 for all categories except peacekeeping.

While payments of troop and equipment obligations were broadly current for a number of missions, cash shortfalls mean that reimbursements have fallen behind the normal quarterly reimbursement process for seven missions. Amounts owed to troop and equipment providers at 31 December 2009 are expected to be higher than the projection made in May and some $513 million above the amount owed at 31 December 2008.

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There has been some progress in reducing the level of unpaid peacekeeping assessments. However, other categories reflect increased levels of unpaid assessments, which remain heavily concentrated among a few Member States. The final outcome for 2009 will depend in large measure on the payments that those Member States make in the final months of 2009. The only way to overcome this problem and to ensure a more stable financial base for the work of the United Nations is for Member States to meet their financial obligations to the Organization in a fuller and more timely fashion.

I. Introduction

1. The present report updates the information on the financial situation of the United Nations contained in the previous report of the Secretary-General (A/63/514/Add.1). It also provides a review of the Organization's financial situation as at 13 October 2009 and updated projections to 31 December 2009.

2. The picture that the above-mentioned information presents of 2009 is generally mixed.

3. The financial strength of the United Nations has traditionally been measured by four main indicators: assessments issued; unpaid assessed contributions; available cash resources; and the Organization's outstanding debt to Member States.

II. Review of the financial situation at 13 October 2009

4. A review of the financial situation shows increases in the level of assessments for the regular budget (from $1,880 million at 31 December 2008 to $2,499 million at 13 October 2009) and the international tribunals (from $310 million at 31 December 2008 to $348 million at 13 October 2009). The level of assessments for peacekeeping decreased (from $7,599 million to $5,491 million), while that for the capital master plan remained fixed at $341 million (owing to the multi-year payments system). As at 13 October 2009, unpaid assessments were higher than at the end of 2008 for all categories except peacekeeping.

A. Regular budget

5. Both assessments and payments were higher in 2009 than in 2008, by $619 million and $534 million respectively. However, owing to the increase in assessments being higher than the increase in payments, unpaid assessed contributions were also higher by $74 million, at $830 million on 13 October 2009, compared with $756 million on 24 October 2008.

6. The number of Member States that had paid their regular budget assessments in full by 13 October 2009 was 120, 13 fewer than at 24 October 2008. The corresponding figure for 31 December 2008 was 145. The Secretary-General wishes to thank the 120 Member States that had honoured their obligations for the regular budget in full at 13 October 2009 and urges other Member States to follow their example.

7. Of the $830 million that remained outstanding at 13 October 2009, 93 per cent was owed by a single Member State and 7 per cent by the remaining Member States. Clearly, the final picture for 2009 will largely depend on the action taken by those countries in the coming few weeks.

8. Cash resources for the regular budget comprise the General Fund, to which assessed contributions are paid; the Working Capital Fund, presently approved at the level of $150 million by the General Assembly; and the Special Account. The regular budget cash balance at the end of 2009 is projected to be higher than at the end of 2008. However, the final position will depend in large measure on the action to be taken by the countries referred to above.

B. Peacekeeping operations

9. The unpredictable nature of the demand for peacekeeping activities makes it hard to predict financial outcomes with any confidence. In addition, peacekeeping has a different financial period, running from 1 July to 30 June rather than from 1 January to 31 December, assessments are issued separately for each operation and, since assessments can currently be issued only through the mandate period approved by the Security Council for each mission, they are issued for different periods throughout the year. All of these factors complicate a comparison between the financial situation of peacekeeping operations and that of the regular budget and the tribunals.

10. The total amount outstanding for peacekeeping operations at 13 October 2009 was over $2.1 billion. This is approximately $763 million lower than at the end of 2008 and is $796 million below the level at 24 October 2008. The current level of unpaid assessments is, in part, related to a lower level of peacekeeping assessments for the 2009/10 fiscal year pending approval of a new scale of assessments for 2010. The decrease also reflects reduced amounts owed for peacekeeping by major contributors as compared to one year ago.

11. Unpaid peacekeeping assessments are not as heavily concentrated as other categories. However, 54 per cent of the $2.1 billion in unpaid peacekeeping assessments as at 13 October 2009 was from just two Member States, and another 24 per cent was from four other Member States.

12. At 13 October 2009, 19 Member States had paid all peacekeeping assessments that were then outstanding, due and payable, namely, Australia, Austria, Azerbaijan, Canada, the Congo, Finland, Germany, Ireland, Italy, Liechtenstein, Monaco, New Zealand, the Niger, the Philippines, Singapore, Slovakia, South Africa, Sweden and Tajikistan. Subsequently, Croatia, the Czech Republic, Iceland and Switzerland paid all peacekeeping assessed contributions that were currently due and payable. Other Member States are urged to follow the example of those countries.

13. The cash balance in peacekeeping accounts at 13 October 2009 was some $3.3 billion. This amount was divided between the accounts of a number of ongoing and closed operations and the Peacekeeping Reserve Fund. However, there are restrictions on the use of those resources. In its resolutions on the financing of peacekeeping operations, the General Assembly routinely specifies that no peacekeeping mission shall be financed by borrowing from other active missions. In addition, the terms of reference of the Peacekeeping Reserve Fund restrict its use to new operations and the expansion of existing operations. Further, only some of the cash available in the accounts of closed peacekeeping operations is currently available for cross-borrowing. At 13 October 2009, cash in the accounts of active missions totalled approximately $2.8 billion, the Peacekeeping Reserve Fund had $142 million and the accounts of closed missions had $470 million.

14. Based on information currently available, it is expected that total cash available in peacekeeping accounts at the end of 2009 would be reduced to $2.2 billion, with approximately $1.6 billion in the accounts of active missions, $469 million in the accounts of closed missions and $144 million in the Peacekeeping Reserve Fund. These estimates are based on projected receipts and disbursements.

15. Of the $469 million expected to be available in the accounts of closed peacekeeping operations at the end of 2009, $218 million is set aside for amounts to be paid for outstanding liabilities, such as troop and equipment payments and credits to be returned to individual Member States. This leaves only $251 million available for possible cross-borrowing by active peacekeeping operations, as well as for other accounts, including the regular budget and the international tribunals. This is a very thin margin for cross-borrowing. Cross-borrowing of a total of $148 million was required in 2008 for seven active operations: the United Nations Interim Administration Mission in Kosovo (UNMIK), the United Nations Observer Mission in Georgia (UNOMIG), the United Nations Mission for the Referendum in Western Sahara (MINURSO), the United Nations Peacekeeping Force in Cyprus (UNFICYP), the United Nations Stabilization Mission in Haiti (MINUSTAH), the United Nations Operation in Côte d'Ivoire (UNOCI) and the United Nations Mission in Liberia (UNMIL). So far in 2009, cross-borrowing in the amount of $49 million from the accounts of closed peacekeeping operations has been required for four active missions: UNOMIG, MINURSO, UNOCI and the United Nations Integrated Mission in Timor-Leste (UNMIT).

C. International tribunals

16. The financial position of the international tribunals for Rwanda and the former Yugoslavia has worsened slightly in 2009. Assessments in 2009 are somewhat higher than those in 2008, and the amount outstanding is higher by $10 million.

17. The number of Member States paying their assessed contributions for both international tribunals in full by 13 October 2009 was 83, 14 fewer than on 24 October 2008. The Secretary-General wishes to express his appreciation to the 83 Member States that have met their financial obligations to the tribunals in full and urges other Member States to follow their example.

18. The final financial position of the tribunals will obviously depend on the payment of assessed contributions by Member States during the balance of 2009. The breakdown of unpaid assessed contributions for the tribunals also shows a high degree of concentration, with one Member State accounting for 65 per cent of the total and the remaining Member States accounting for 35 per cent. Much will depend, therefore, on the action taken by those Member States.

19. If recent trends continue, the tribunals should end the year with positive cash balances. Once again, however, the actual outcome will depend on Member States meeting their financial obligations to the tribunals in a full and timely fashion.

D. Capital master plan

20. The total budget for the capital master plan project of $1.88 billion was approved by the General Assembly on 22 December 2006 (resolution 61/251).

21. In accordance with General Assembly resolution 61/251, 180 Member States are under the multi-year payment system and 12 have opted for a one-time payment. As at 13 October 2009, 119 Member States had paid in full their capital master plan assessed contributions, and payments totalling $1.1 billion had been made against assessments due and payable, with $86 million outstanding. In addition, a number of

Member States that did not opt for a one-time payment have nevertheless made advance payments. As at 13 October 2009, payments to the working capital reserve totalled $44.9 million.

22. In order to ensure the timely execution of the project, all Member States are urged to pay their assessed contributions to the capital master plan in full and on time.

III. Debt to Member States

23. The forecast in May 2009 was that the Organization's debt to Member States providing troops and equipment to peacekeeping operations would be reduced to $765 million. Based on revised projections, it now appears that the amount outstanding at the end of 2009 will be some $944 million, higher than the projection made in May and significantly above the amount of $431 million outstanding at 31 December 2008. Payments for 2009 take into account projections, which are affected by the reduced level of assessments for fiscal year 2009/10 for peacekeeping operations, pending approval of a new scale of assessments for 2010. Further, new obligations in 2009 are above 2008 levels, owing mainly to the deployment of troops in the African Union-United Nations Hybrid Operation in Darfur (UNAMID) and the deployment of a military component in the United Nations Mission in the Central African Republic and Chad (MINURCAT) and of additional military contingents and formed police units in the United Nations Organization Mission in the Democratic Republic of the Congo (MONUC). These new obligations are only partially offset by the termination of the mandate of the United Nations Mission in Ethiopia and Eritrea, the downsizing of formed police units in UNMIK and the reduction in the authorized military strength of UNMIL.

24. Payments of troop obligations were broadly current up to February/March 2009 for MINUSTAH and UNMIK and July/August 2009 for eight peacekeeping missions (MINURCAT, MONUC, UNAMID, the United Nations Disengagement Observer Force (UNDOF), the United Nations Interim Force in Lebanon (UNIFIL), UNMIL, the United Nations Mission in the Sudan (UNMIS) and UNOCI). Payments for contingent-owned equipment and self-sustainment claims were current up to March/June 2009 for MONUC, UNAMID, UNDOF, UNFICYP, UNIFIL, UNMIL and UNMIS.

25. Cash shortfalls mean, however, that reimbursements have fallen behind the normal quarterly reimbursement process for seven missions. For MINUSTAH, UNMIK, UNOCI and UNOMIG, payments for contingent-owned equipment are behind the quarterly payment schedule. For UNFICYP, payments for troop obligations are also behind the quarterly schedule. In the case of MINURSO and UNMIT, payments for both troop obligations and contingent-owned equipment are behind the quarterly schedule. In this regard, delays in the receipt of contributions affect the Secretariat's ability to make quarterly payments to troop contributors, as it is necessary to first ensure the adequate provision of cash resources to meet ongoing operating cost requirements. The cash-flow situation of peacekeeping operations will continue to be monitored constantly, with a view to making quarterly payments as soon as sufficient cash is available.

26. The Secretary-General is committed to meeting the Organization's obligations to Member States providing troops and equipment to peacekeeping operations as

expeditiously as possible. The extent to which he can do this, however, will depend on the degree to which Member States meet their financial obligations to the United Nations in full and on time and on the finalization of memorandums of understanding with troop contributors for the provision of equipment.

IV. Conclusions

27. The Secretary-General wishes to pay special tribute to the following Member States that had paid in full all assessments for the regular budget, the international tribunals, the peacekeeping operations and the capital master plan that were due and payable as at 13 October 2009, namely, Australia, Austria, Azerbaijan, Canada, the Congo, Finland, Germany, Ireland, Italy, Liechtenstein, Monaco, New Zealand, the Niger, Singapore, Slovakia, South Africa, Sweden and Tajikistan. In addition, Croatia, the Czech Republic, Iceland, the Philippines and Switzerland subsequently paid all assessed contributions that were currently due and payable. Other Member States are urged to follow the example of those countries.

28. The financial indicators for 2009 are mixed. Cash positions are projected to be positive at year's end for all funds, although the final outcome will depend on last-quarter contributions. Regarding peacekeeping operations, unpaid assessments at October 2009 are below October 2008 levels, reflecting reduced amounts owed for peacekeeping by major contributors, as well as the lower level of assessments issued for the current peacekeeping fiscal year pending the approval of a new scale of assessments for 2010. While unpaid assessments show decreases for peacekeeping operations, there have been increases for the regular budget, the tribunals and the capital master plan. Further, the number of Member States meeting their obligations in full is lower than one year ago across all categories.

29. In order to maintain the financial health of the Organization, it remains as critical as ever for Member States to meet their financial obligations to the United Nations in full and on time.